

WATER/SNR/MEY:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

**RESOLUTION NO. W-4505
October 28, 2004**

R E S O L U T I O N

**(RES. W-4505), SAN GABRIEL VALLEY WATER COMPANY,
(SGVW), LOS ANGELES COUNTY DIVISION. ORDER
AUTHORIZING A TEMPORARY SURCHARGE TO RECOVER
NET UNDER-COLLECTIONS IN ITS PUMPED WATER,
PURCHASED WATER, AND PURCHASED POWER
BALANCING ACCOUNTS, PRODUCING AN ANNUAL
INCREASE IN REVENUE OF \$1,047,678 OR 2.9% OVER 12
MONTHS.**

SUMMARY

By Advice Letter No. 326, filed April 1, 2004, supplemented by 326-A, filed September 3, 2004, SGVW seeks revision of tariff Schedule No. LA-1, General Metered Service, Schedule No. LA-3L, Limited Irrigation Service, and Schedule No. LA-6, Reclaimed Water Metered Service, to add a surcharge of \$0.055/Ccf (one Ccf is equal to one hundred cubic feet) over a 12-month period to provide an increase in total revenues of \$1,047,678 or 2.9%, to recover net under-collections in its pumped water, purchased water, and purchased power balancing accounts accrued from January 1, 2003 to December 31, 2003. This increase is a result of combined increased costs for pumped water, purchased water, and purchased power occurring after SGVW's then present rates became effective. This resolution authorizes the requested increase. The rate increase will not result in a rate of return greater than last authorized for SGVW.

In addition to the three aforementioned balancing accounts, the original Advice Letter filing included a request for cost recovery of the water quality litigation memorandum account. However, the Water Division (Division) requested that the memorandum account be separated from this advice letter filing because of a related advice letter filing on water quality litigation memorandum account

issues. The supplemental filing therefore amended the original Advice Letter by removing the water quality litigation memorandum account.

BACKGROUND

SGVW, a Class A water company, produces, distributes, and sells water through two divisions, which are the Los Angeles and the Fontana Divisions. The Los Angeles Division serves approximately 46,865-metered services in the Cities of Arcadia (portions of), Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County¹. In addition, SGVW also provides limited irrigation service to portions of the community of Hacienda Heights and vicinity, Los Angeles County.

San Gabriel's last GRC in the Los Angeles Division was decided by Decision (D.) 02-10-058 in A.01-10-028. The costs in the three balancing accounts were calculated using the Commission's standard balancing account procedure, which is the "incremental" method. The incremental method records only the incremental increase in the cost of a balancing account element (e.g. purchased water) over the cost for that product already allowed in existing rates.

In compliance with Ordering Paragraph No. 1 of D.03-06-072 dated June 19, 2003 in Rulemaking No. 01-12-009, SGVW filed Advice Letter No. 326, supplemented by Advice Letter No. 326-A, requesting authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover the net under-collected balance of three balancing accounts totaling \$1,047,678: \$1,378,946 under-collection for the purchased power balancing account, minus \$16,264 over-collection for the pumped water balancing account, minus \$18,551 over-collection for the purchased water balancing account, and minus \$296,453 in over-earnings and interest for year 2003. This under-collection is for the period from January 1, 2003 to December 31, 2003 inclusive.

¹ For year 2003, active metered connections as adopted in D.02-10-058 for the Los Division are 45,837, with 1,028 private fire service connections, or a total of 46,865 active connections, including private fire service.

The effective dates of SGVW's last rate Schedules are as follows:
Schedule No. LA-1, General Metered Service, became effective on January 1, 2004 pursuant to Advice Letter No. 325;
Schedule No. LA-3L, Limited Irrigation Service, became effective on March 18, 2004 pursuant to Advice Letter No. 319; and
Schedule No. LA-6, Reclaimed Water metered Service, became effective on January 1, 2004 pursuant to Advice letter No. 325.

DISCUSSION

In 2003, SGVW earned a rate of return on a recorded basis of 9.76% with adjustments; this number exceeds the rate of return of 9.40% authorized in D.02-10-058. As a result, pursuant to D.03-06-072, an earnings adjustment, including interest, in the amount of \$296,453 is made to reduce the balancing account under-collection. The net under-collection of \$1,047,678 incorporates that earnings adjustment.

SGVW proposes a temporary surcharge of \$0.055/Ccf for a 12-month period to recover the net under-collection balance from its purchased power, purchased water, and pumped water balancing accounts in the amount of \$1,047,678 representing 2.9% of total annual revenue. The Division has reviewed SGVW's request along with its supporting workpapers and finds it to be reasonable.

In view of this, the Division recommends authorization of the surcharge of \$0.055/Ccf for 12 months. Since the requested increase is caused by expenses directly related to water consumption, the surcharge is applied to water use. During the amortization period, the proposed surcharge will raise the typical residential customer's monthly bill (23 Ccf with a 5/8" x 3/4" meter) by \$1.27 or 2.8% from \$44.47 to \$45.74. The Division has reviewed the request with the supporting workpapers submitted by SGVW and finds it reasonable.

Generally, the service provided by SGVW is satisfactory. There have been third parties responsible for contaminating Los Angeles Division's ground water sources. During the March 14, 2002 Public Participation Hearing of the last general rate case (GRC) application, A.01-10-028, some speakers emphasized the importance of taking needed actions to address underground contamination affecting San Gabriel's water supply. The subject of subsequent litigation and required corrective actions was addressed in the decision D.02-10-058 of the GRC application.

NOTICE AND PROTESTS

In compliance with Section III-G of General Order 96-A, SGVW mailed a copy of Advice Letter No. 326 and 326-A to the various city governments and municipal water agencies within the Los Angeles District territory (Arcadia, Baldwin Park, El Monte, Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe, South El Monte and Whittier), other investment-owned water utilities (California American Water Company, Southern California Water Company and Suburban Water Systems) and the CPUC Office of Ratepayer Advocates.

In addition, SGVW also gave notice of the proposed increase by publishing a public notice in the local newspaper of general circulation, *San Gabriel Valley Tribune*, on April 7, 2004. The Proof of Publication was provided to the Water Branch by the utility. No publication was made when the amended Advice Letter No. 326-A was filed because the amendment pertains to a deletion of an under-collection amount and hence, a lower rate increase.

No protest letters were received concerning the proposed offset increase.

FINDINGS

1. SGVW filed Advice Letter No. 326, supplemented by Advice Letter No. 326-A, to recover a net under-collection in its pumped water, purchased water, and purchased power balancing accounts in compliance with Ordering Paragraph No. 1 of D.03-06-072 dated June 19, 2003 in Rulemaking No. 01-12-009.
2. Water Division has reviewed the advice letter and supporting workpapers and finds them reasonable.
3. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
4. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to make effective the following revised Schedules attached to Advice Letter No. 326-A: Schedule No. LA-1, General Metered Service, Schedule No. LA-3L, Limited Irrigation Service, and Schedule No. LA-6, Reclaimed Water Metered Service. San Gabriel Valley Water Company is to cancel the corresponding presently effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of this resolution.
2. San Gabriel Valley Water Company is directed to keep its balancing-type memorandum accounts as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 28, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director